

STATE OF NORTH CAROLINA)
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COUNTY OF STOKES)
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OFFICE OF THE COMMISSIONERS
STOKES COUNTY GOVERNMENT
DANBURY, NORTH CAROLINA
MAY 29, 2013

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a Budget Work Session in the Third Floor Conference Room of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Wednesday, May 29, 2013 at 10:00 am with the following members present:

Chairman Ernest Lankford
Vice Chairman James D. Booth
Commissioner J. Leon Inman
Commissioner Jimmy Walker
Commissioner Ronda Jones

County Personnel in Attendance:
County Manager Richard D. Morris
Clerk to the Board Darlene Bullins
Finance Director Julia Edwards

Chairman Ernest Lankford called the first Budget Work Session to order.

Commissioner Jones delivered the invocation.

GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE

Chairman Lankford opened the meeting by inviting the citizens in attendance to join the Board in the Pledge of Allegiance.

Budget Work Session

Chairman Lankford turned the Budget Session over to Manager Morris.

County Manager Morris noted:

- Board received the proposed Fiscal Year 2013-14 Budget and the Budget Message at last night's meeting
- Will be presenting a presentation on expenditures today with a presentation on revenues at the next meeting
- Idea is to provide the Board with as much information and facts as possible, some of which may be duplicated from the Budget Message
- This can be used as reference material

- This information is the key points related to the proposed budget
- Have included options:
 - Base line budget with no tax increase, no service changes
 - Other options to consider
- The County has expenditures at one level with revenues at a lower level
- To move revenues up, the County has to either play with the Fund Balance or increase tax revenue
- To move expenditures down, services will have to be cut
- Question to get to this year and next year, given the big revenue hits that the County has taken, where is the County going to end up at?
- Will the County try to get enough revenue to meet the expenditures or will the County try to cut services to get expenditures to meet revenues?
- Budget is currently set up with a structural million dollar increase per year with fixed items:
 - Insurance increases
 - Retirement
 - Longevity
 - Unemployment
 - And other
- Objective is to figure out where the line will be when expenditures and revenues balance
- Feel I have recommended a reasonable budget based on the circumstances that balances expenditures and revenues
- The Board may feel the recommended budget does not do enough to where the Board wants to be
- One thing to remember, we are all in this together
- Staff will be happy to obtain any additional information needed

Fiscal Year Budget Overview for Stokes County Board of Commissioners (BOCC)

County Manager Rick Morris presented today's Discussion Topics:

- Budget Overview
- Budget Development Process
- Snapshot of Budget Process
- Budget Assessment
 - Major Facts Bearing on the FY2013/14 Budget
 - Budget Realities
- Re-baselining the Budget
- Major Contributors to FY2013/14 Budget Decrease
- Overview of FY2013/14 County Debt Commitment
- Overview of FY2013/14 Capital Reserve Fund
- Board of Education Request
 - Current Expense
 - School Capital Outlay & Capital Reserve
- Department Budget Highlights
 - Common Expenditures Across All Departments
 - Administration
 - Animal Control
 - Arts Council

- Contingencies
- Cooperative Extension
- Debt Service
- District Resource Center
- Economic Development
- Elections
- Emergency Communications
- Emergency Management
- Emergency Medical Services
- Environmental Health
- Finance
- Fire Marshal
- Forsyth Tech
- GIS / Mapping
- Governing Body
- Health Department
- Home Health
- Information Systems
- Jail
- Legal
- Library
- Medical Examiner
- Mental Health
- Natural Resources
- Parks
- Planning
- Public Buildings
- Purchasing
- Recreation
- Register of Deeds
- Senior Services
- Sheriff's Department
- Social Services/Public Assistance
- Solid Waste
- Special Appropriation
- Superior Court
- Revaluation Fund
- Tax Administration/Revaluation
- Transfers
- Vehicle Maintenance
- Veteran Services
- Walnut Cove Senior Center-Debt Service Fund
- E911 Fund
- Enterprise Funds
- Fire Districts (All)
- What Ifs?
- In Summary, So What's Important
- Backup Slides
 - Personnel Turnover Rates
 - On Call Pay / Part Time Pay
 - Solid Waste Study

County Manager Rick Morris presented and briefly discussed the following information with the BOCC regarding his recommended Fiscal Year 2013-14 budget:

Fiscal Year 2013-14 Overview

- Based on discussions during the budget work sessions, I informed the BOCC that multiple budget options would be offered
- Recommended budget was developed using more of a two-year thought process than last year's four-year thought process, which addressed current needs plus the impact of this year's decisions on the next fiscal year budget
- Total budget recommendation is \$42,917,782.
 - 6.4% smaller than the FY 2012/13 budget
 - Decrease occurred because several major cost items were addressed in the current budget (separate chart follows)
- Revenues and expenditures continue to be budgeted on a conservative basis due to the slow recovery of the economy, don't see much improvement
- Recommended budget does not add back any of the 16 positions that were unfunded in the FY2011/12 Budget; however, personnel adjustments were made when the EMS Director retired, which were out of cycle – net gain of one position
- Recommended budget recognizes a 6.2% projected annual decrease in revenue from the loss of "Hold Harmless" and reduction in property values resulting from Revaluation

Board Comments:

Commissioner Walker:

- By some standards, this might be the worst budget at this point in ten years, first year without Hold Harmless
- Having to make decisions different this year due to no Hold Harmless revenue

Commissioner Inman:

- Ranks with the 2002 budget

Budget Development Process

- Department heads and outside agencies submitted budget requests
 - County manager met with department heads to analyze and discuss details of their budget submissions
 - County manager reviewed all requests and made first round of cuts
 - County manager made a second round of cuts focusing on equipment and requests for personnel reclassifications/additions
 - No across-the-board cuts to all departments; did do targeted cuts
 - Budgets are already lean
- After cuts were made in equipment and personnel requests, an approximate \$3 million difference remained between revenues and expenditures
- County manager next looked at the county fund balance for required funding to balance the budget
 - Objective was to keep the fund balance in close proximity to 20%
 - Local Government Commission recommends a fund balance in the range of approximately 23% for counties the size of Stokes
 - 20% is roughly about three months of operating expenses
 - LGC looks at Fund Balance closely when going out for debt
 - Average for like size counties may drop next year due to current economic conditions

Board Comments:

Commissioner Walker:

- Expressed concerns that next year, the Fund Balance may go below the 20%
- Also looming out there is a million dollar structural increase to the budget each year
- Must be a responsible employer and in this case look at other county employers to see how they are set up
- Want to be fair to employees
- Appears to be a crisis
- All I can think of right now is Economic Development with the creation of jobs
- Previous Boards have not been putting a lot of emphasis on Economic Development
- Need to stop and look now at Economic Development

Commissioner Inman:

- LGC compares to like size counties and the 23% figure could drop
- Get concerned if below 20%
- Must remember the loss of \$2.2 million Hold Harmless
- Everything continues to increase

Snapshot of the Budget Process

Requested Budget = \$49,463,076

Summary

- Difference between estimated revenues and requested expenditures was short \$9,912,275
- To fund the requested budget a tax rate of 89.83 cents at a 96.19% collection rate would be required
- This size of this request should illustrate to everyone the need for a reality check on affordability

After Cuts – Expenses = \$42,917,782 and Revenues = \$39,813,666

Summary

- Difference between estimated revenues and recommended expenditures was short \$3,104,116
- Reviewed personnel & equipment requests and made cuts
- Other cuts in varied areas resulted from line item review of each department request

Balanced Budget = \$42,917,782

Summary

- Uses \$3,104,116 from General Fund Balance
- 16 positions remained unfunded
- Capital Outlay was limited to essential requirements
- Personnel reclassifications were limited to actual changes of duty and classification equality
- All reclassifications approved or denied have been provided to you for your review

- 2% COLA included
 - No COLA since 2008
 - Starting next year, will be probably be very hard to even think about a COLA for several years
 - COLA is included for all full and part time employees, Sheriff, Register of Deeds and Board of Commissioners

Fiscal Year 2014-15 Projected Shortfall = \$2,752,548

Summary

- \$487,255 Reval revenue reduction
- Hold Harmless eliminates revenue of \$2,265,293
- Tax rate increase of at least 8 cents would be required to make up total loss of revenue or fund balance must be further reduced
- Other alternative is cutting of services or potentially total departments

Manager Morris reiterated the statement that the size of this request should illustrate to everyone the need for a reality check on affordability. For example, the school system is sending requests just like the resources are unrestrained; it is fine to do that, but it is now a reality check.

Board Comments

Commissioner Walker:

- Very good point
- To continue the pattern we are in, the County is headed toward bankruptcy

Chairman Lankford:

- Feels that statement is a little bit strong

Commissioner Walker:

- Correct me if I am wrong
- Continue spending more than you take in, where will it get you?

Commissioner Jones:

- Being a little tough on ourselves, this is the first year we have had the situation where we are spending more than we take in
- This is the first year without Hold Harmless and the loss of revenue from revaluation
- See trying to go at this multifaceted
- Cut back on expenses where we can and cut back on services if necessary to get to the middle
- Need to start publicizing this to our citizens
- We are all in this together, taxes will have to go up to increase revenues
- Ad Valorem taxes are all the county has

Commissioner Inman:

- Reinforced what Commissioner Walker stated earlier
- Have said this in previous budget session - It is not sustainable for this County to continue to rely Ad Valorem to pay the bills
- Only way to continue to rely on Ad Valorem taxes is to raise them every year
- Taxes would have to be increased every year by three cents in order to keep up with the million dollar structural increase, that alone

Commissioner Walker:

- Citizens will not tolerate this
- We must come up with a solution
- One question - Where are we heading?

Commissioner Inman:

- One good thing is our strong Fund Balance
- In 2002, the Fund Balance was 2.5%
- Fund Balance has been built by this Board and previous Boards by budgeting conservatively on revenues and expenditures
- Have been able to recoup funding that is not spent
- No clearer, train wreck is coming.

Manager Morris noted that the 24% Fund Balance is only an estimate.

Commissioner Inman stated that he would not accept the 2% COLA included in the proposed budget for himself.

Budget Assessment

- Major Facts bearing on the FY 2013/14 Budget
 - “Hold Harmless” appears to be gone this year
 - Revenues down / expenses up; however, Revenue is now a real challenge
 - County budget has built in structural increases
 - Longevity, health/dental insurance, retirement contribution, unemployment insurance, etc
 - Loan process will begin for additional new educational construction / renovation and associated costs (Forsyth Tech and Lawsonville Elementary)
 - County in process of purchasing a new building, which adds some uncertainty, feels it is low risk
- Budget Realities
 - Recovery of the U.S. economy remains weak not helping much
 - During fiscal years 2013/14 through 2016/17, the approved county budget must be re-baselined to absorb the Ad Valorem tax decrease plus the loss of “Hold Harmless”
 - A tax rate increase this year would help the County’s future financial position
 - The tax rate could be increased this year without going all the way to revenue neutral

- Next year's budget guidance should not be "business as usual" if a tax rate increase or fund balance are not used to balance the budget
- Budget work sessions may need to be held earlier before end of the calendar year (possibly November)
- Detailed discussions on service reductions and re-baselining the budget should be held during budget sessions
- Doing the work sessions in November will give the manager direction to provide departments guidance when preparing their budget request

Board Comments

Commissioner Walker:

- Continue to reference the economy
- If the economy increases, sales tax would increase
- Residential increases, long term, causes a strain on schools, emergency services, etc.
- Confirmed the new educational construction such as the community college and Lawsonville renovation project will be funded from the 4% tax

Vice Chairman Booth:

- 4% tax does not pay the full debt service
- 4% tax only includes the educational projects defined when the 4% tax was approved

Manager Morris noted the financial model includes the 4% tax and lottery funding which is set up to accommodate some unknowns.

Commissioner Walker:

- Good insight on the manager to suggest budget work sessions in November of this year for the Fiscal Year 2014-15 budget
- Wished we had done it this year, could have cushioned what may have to be done next year

Commissioner Inman:

- If you are not going to increase revenues, you can start now working on next year's budget

Commissioner Jones:

- Questioned if there was a list of potential services that could be cut?

Manager Morris responded:

- No
- Would start the process by looking at each department and determining if the County must have the department
- Then list if there would be any repercussions
- Determine the cost savings
- Do this with every department
- This will be very hard

Commissioner Jones:

- The writing is on the wall
- People want to see a shrinkage in government with or without a tax increase
- Against the wall

Commissioner Walker:

- Agree it will be hard for everyone – citizens, staff, and Board

The Board discussed the entire school debt and the new school construction debt being funded by the 4%tax.

Re-Base Lining the Budget

Fiscal Year 2012-13 = \$45,835,351

- New School QSCB/QZAB Loan payment
- Paid Stokes-Reynolds Medicaid / Medicare bill from final cost report
- Completed majority of communications upgrade
- Settled with Baptist Hospital
- Created new Title XIX Fund and removed balance from General Fund

Approximate \$3,104,116 Shortfall = Fiscal Year 2013-14 -\$42,917,782

- No Hold Harmless
- Revaluation
- Revenues down / expenses increasing
- New Debt for communication upgrade
- Transferred \$3,104,116 from County General Fund Balance
- Re-baselining has begun when compared to FY11/12 budget if structural increases and capital expenditures are considered

Projected \$2,752,548 Shortfall = Fiscal Year 2014-15 = \$43,990,726

- Will be the most difficult budget year in past ten years
- Must cut services, raise taxes or use more fund balance
- Budget guidance process from BOCC will need to be modified

Manager Morris:

- Board will have to decide if the recommended budget has been baselined enough
- Depend how tight this budget is will determine if there will be funding to go back into the Fund Balance at the end of the fiscal year
- Reiterated the need to have budget sessions earlier
- Will need to address specific issues such as paying the full premiums of health and dental for employees

Major Contributions to Fiscal Year 2013-14 Budget Decrease

- Baptist Hospital settlement completed
- Communications upgrade addressed in FY 2012/13 Budget
- Health Insurance increased slightly
- New building for Health Department accounted for in FY2012/13
- Fuel cost and usage remained stable
- Advance of funds to CenterPoint accounted for in FY2012/13

Overview of Fiscal Year 2013-14 County Debt Commitment

Overview of FY2013/14 County Debt Commitment

Debt Description	Purpose of Debt	Term (Yrs)	Amount (\$ plus +/-)
Refinance / GO Bonds	West Stokes & Piney Grove	4	\$1,518,700.00
PODS	Purchase for Early College	10	\$110,509.00
Land Purchase	Poplar Springs Elementary	15	\$116,786.00
School Construction	Nancy Reynolds and Comm. College	16	\$657,460.00
QSCB	Poplar Springs and Southeastern	14	\$1,781,829.00
QZAB	Southeastern	14	\$295,714.00
Total School Debt			\$4,480,665.00
Capital Lease Pymt#1	EMS & Sheriff	3	\$98,334.00
Capital Lease Pymt#2	EMS remounts and other equipment	2	\$65,132.00
Capital Lease Pymt#3	New Roof and EMS Station	5	\$48,664.00
Capital Lease Pymt#4	Communications Equipment	4	\$48,819.00
Capital Lease Pymt#5	Autumn Square Property	9	\$2,299.00
Total Cap. Lease Debt			\$623,248.00

Fiscal Year 2013-14 Capital Reserve Fund Recommendations

- No transfer to or from Capital Reserve Fund this fiscal year

School Current Expense

- Budget recommendation is the same as fiscal year 2012/13 - \$10,211,763
 - \$110,000 from the New School/F Tech Fund for Poplar Springs operating cost
 - \$10,101,763 from General Fund
- School Board requested \$1,186,260 increase over last fiscal year.
- BOE appropriated \$1,004,841 from their current expense fund balance in fiscal year 2012-13 budget, no fund balance appropriation from the BOE was shown in the FY 2013/14 budget request.

Board Comments

Commissioner Walker:

- Were there any specific reasons given by the school system for the huge increase?

Manager Morris responded:

- BOE appropriated \$1,004,841 from their current expense fund balance in fiscal year 2012-13 budget, no fund balance appropriation from the BOE was shown in the FY 2013/14 budget request
- Suspect security is a new item on their list this year due to recent events
- Operating in an unconstrained environment

Vice Chairman Booth:

- What is the schools' current fund balance?

Finance Director Edwards responded:

- At the end of June 2012, \$2,020,735 – undesignated
- If used \$1 million in 2013-14, would leave them with \$1,020,735

Vice Chairman Booth:

- Any funding transferrable to the schools' Fund Balance is leftover funding from the county, no federal or state can be transferred

School Capital Outlay and Capital Reserve Fund

- BOE requested \$5,178,810 for capital outlay
 - \$5,798 of the request uses ADM funds
 - \$1,933 is matching funds for ADM funds.
- Capital expenditures to be used for:
 - \$531,300 for exterior and landscaping
 - \$4,494,510 for renovations, which consists of \$2,105,500 for roofs, \$73,000 for furniture & equipment and \$80,000 for vehicles.
- BOE requested \$139,500 for Early College capital expenditures; not included in capital request above; would qualify for 4 cent fund but was not recommended
- \$21,911 ADM matching funds for South Stokes Waste Water Project brought forward from FY2012/13 Budget
- Sales tax revenue for schools has increased slightly.
- Manager's recommendation is as follows:
 - \$1,000,000 was recommended for debt service payment. This debt has 4 years remaining.
 - Recommended capital outlay for Schools is \$301,933 for capital outlay, \$5,798 from ADM and authorization for use of up to \$1,000,000 from the School's current expense fund balance

Commissioner Walker:

- What is the \$80,000 for vehicles?

Finance Director Edwards:

- Four maintenance vans

The Board discussed the \$1,000,000 recommended for debt service payment which only has 4 years remaining and what might could be done once the debt service has been paid.

The Board discussed the school capital expenditures requests.

Department Budget Highlights - Common Expenditures Across All Departments

- Personnel Services
 - 2% COLA (cost \$229,740 including benefits); \$217,253 General Fund
 - Longevity increases
 - Increase employer retirement contribution this year of .33% for general employees and .51% for law enforcement
 - Increase in health insurance premium cost of 2.44%
 - Decrease of 7.96% on dental premiums
 - State of N.C. requiring up front budgeting of unemployment insurance, Local Governments to pay 1% of taxable wages up to \$209 per person July-December and \$214 January-June; also must pay actual claims this year (this is a double hit)
- Materials, Supplies & Expense
 - Fuel cost was funded at gallons used at a rate of \$4.25
 - Some departmental supplies reduced at a rate up to 5%

Departmental Budget Highlights - Administration

- Budget increased by \$955 / .61%

Departmental Budget Highlights - Animal Control

- Budget increased \$7,807 / 4.29%
- Maintenance & Repairs Auto due to age of vehicles
- Animal Control adoption fee increase to \$100
 - Incentivizes spay and neuter
 - Encourages more responsible adoption behavior

Manager Morris noted:

- County has Attorney Powell providing legal
- County has Dr. Cowan providing medical who has worked in animal control
- Taking serious consideration with what the Animal Control Advisory recommends

Manager Morris discussed his recommendation for an adoption fee increase to \$100 with the

Board.

Departmental Budget Highlights - Arts Council

- Budget increased \$3,524 / 4.23%
- Personnel cost only expense for Arts Council
- Grant funding for downtown project on tract

County Department Overview - Contingencies

- Contingencies budget decreased \$170,000 / -31.19%
- Emergency contingency funded at \$139,200
- Decreases fuel cost contingency from \$100,000 to \$50,000 due to actual cost being added to departmental budgets based on FY2102/13 usage

- Leave cost \$100,000 for employee payoff of unused vacation, comp time and/or holiday leave stays the same
- Contingency for the Autumn Square Facility for unforeseen transition issues of \$75,000
- Comprehensive Land Use plan funded at \$10,800 from new cell tower revenue

Board Comments

Chairman Lankford:

- Working with PTRC on a Comprehensive Land Use Plan

Commissioner Walker:

- Confirmed with Manager Morris that City of King and Town of Walnut Cove are still very interested

Departmental Budget Highlights - Cooperative Extension

- Budget increased \$1,718 / 1.19%
- 1.5% for County portion of proposed state COLA not funded; Cooperative Extension personnel included in County's COLA recommendation

Board Comments

Chairman Lankford:

- Need to make sure COLA for Cooperative Extensive is the same as the county employees

Departmental Budget Highlights - Debt Service

- Budget increased \$190,228 / 3.87%
- Summary of Debt Service:
 - 1997-98 School debt – West Stokes High School/Piney Grove Middle School 4 years remaining
 - 2009 financing for PODs for Nancy Reynolds School temporary location 10 years remaining
 - 2009 financing for land for schools – new elementary school and Nancy Reynolds School 15 years remaining
 - 2010 financing for Nancy Reynolds School and Early College / Community College 16 years remaining
 - 2011 QSCB for Poplar Spring School and Southeastern Stokes School 14 years remaining
 - 2011 QZAB for Southeastern Stokes School 14 years remaining
 - Equipment #1– Sheriff's Department cars and ambulance remounts payoff FY16-17
 - Equipment #2– Ambulance remounts and EMS equipment payoff FY15-16
 - Roof Government Center and EMS station 5 years remaining
 - Communication Equipment payoff FY16-17
 - Autumn Square 9 years remaining
 - Financing for 1 new ambulance, truck Sheriff's Department, servers for various departments totaling \$388,550

Departmental Budget Highlights - District Resource Center

- Budget increased \$3,100 / 2.23%

- Will supervise State Misdemeanor Confinement Program in conjunction with the Sheriff
- DRC pays for itself with Pre-trial release program and community service support to the County

Board Comments

The Board discussed the State Misdemeanor Confinement Program which was started by the Sheriff in the latter part of this fiscal year.

Departmental Budget Highlights - Economic Development

- Budget decreased \$11,708 / -2.99%
- Kobe Wieland Copper grants final year of payments for both grants is FY2013/14; total amount \$203,434
- Advertising/Marketing increase due to additional tourism advertising for the County
 - Should include marketing campaign for leased space in the Autumn Square building

Departmental Budget Highlights - Elections

- Budget increased \$34,771 / 19.23%
- Municipal elections, 1st primary and possible 2nd primary and associated increases in line items
- Significant postage increase due to photo ID notification mailing requirement to inform all voters
- County may get federal funding for the requirement of mailing information to all voters

Departmental Budget Highlights - Emergency Communications

- Budget decreased \$1,948,056 / -76.48%
- Decrease is due to the \$2,000,000 communication project FY12-13
- Personnel services had a clerical error in computing salaries FY 12-13 (approximately \$26,000)
- Telephone increase due to phone services not being able to be paid by E911 funds.
- No utilities cost due to move to new building
- Decrease in maintenance and repairs equipment due to new equipment
- Equipment \$1,507 (pager and radio backup equipment for E-911 Communications Director)

Departmental Budget Highlights - Emergency Management

- Budget decreased \$789 / -1.02%
- Personnel services decreased with new director
- Fuel and maintenance line item added due to new vehicle from grant for EM
- Training increase for EM Coordinator and Assist. EM Coordinator
- Possibly looking at having the Board appoint Jessica Watkins from the Health Department, Emergency Preparedness Coordinator (without a pay increase) as the Assistant EM Coordinator
 - Has a four-year degree in Emergency Management

- Will relieve Fire Marshal Burcham
- May be a grant to pay for the position
- Director Collins is in agreement with the proposal

The Board discussed Manager Morris' proposal regarding Assistant Emergency

Coordinator.

Departmental Budget Highlights - Emergency Medical Services

- Budget increased \$19,319/ .79%
- Personnel Services
 - Board approved funding the two paramedics and un-funding the Assist. EMS Director position and the shift supervisors returned to regular supervisory duties
- Reseed the lawn at Pinnacle station
- Increase maintenance agreement of software and equipment
- Uniform increase due to OSHA required coveralls
- Equipment – One new ambulance financed 4 years, Five scanners for stations to reduce cost of paper, storage and fuel for shift supervisions to collect call sheets, and six pagers
- Advanced ALS “treat no-transport” calls will be \$350
 - Estimated increase in revenue of \$17,500
 - Old rates not covering expenses and not comparable to other counties

Manager Morris discussed the new ALS “treat-no-transport” proposed new fee and provided information from Director Greg Collins.

Board Comments

Vice Chairman Booth noted the need to make sure the fees are compared to the Medicare and Medicaid rates.

Departmental Budget Highlights - Environmental Health

- Budget increased \$16,178 / 7%
- Postage increased due to additional water samples and postage for water samples were charged to Health Department in FY2012/13 Budget
- Water sampling test kits increase due to request related to fracking
- Water fee testing fee adjustments based on tests that are actually requested; matches approach used by other counties; approved by Board of Health

Finance Director Edwards explained in detail why postage increased due to additional water samples and charges being charged incorrectly to the Health Department (provided additional information regarding the water fee testing fee adjustments).

Departmental Budget Highlights - Finance

- Budget increased \$58,043 / 17.37%
- “Other Post Employment Benefits” actuarial required for audit
- Bank charges increase due to usage of credit cards
- Equipment-Six credit card machines, security camera system for internal controls, server for finance software and upgrade server software \$42,300
- Cost of staging new server for Finance Software
- Server will be financed

Manager Morris discussed the server issue impacting the county’s budget this year.

Departmental Budget Highlights - Fire Marshal

- Budget increased \$9,191 / 5.49%
- Increase in maintenance and repairs auto due to age of vehicles
- No cost increase projected with relocation of office

Manager Morris discussed the relocation to the Sheriff’s Department and wanted the BOCC to know this was totally his recommendation and not the Sheriff and done basically hopefully to provide the Fire Marshal with additional manpower. Manager Morris noted that Fire Marshal Burcham has no issues with the recommendation.

Departmental Budget Highlights - Forsyth Tech

- Budget increased \$11,065/ 11.97%
- Personnel Services – Percentage of Public Buildings employees’ salaries and benefits reallocated
- Separated departmental supplies and water supplies for accounting purposes

Departmental Budget Highlights - GIS/Mapping

- Budget increased \$19,740 / 11.28%
- Increase maintenance and repairs equipment due to age of equipment
- New server required
 - Funded by General fund 35% (\$8,750) and E911 fund 65%
- Server will be financed

Departmental Budget Highlights - Governing Body

- Budget increased \$25,873 / 2.62%
- Increase number of retirees on insurance (approximately 18) (to age 65)
- Increase cost of Workers’ Comp insurance

Departmental Budget Highlights - Health Department

- Budget decreased \$50,168 / -6.68%
- New fee schedule for prenatal services (provided to the BOCC)
- Personnel Services
 - Reclass Nutritionist II to Nutritionist Program Director I-100% Federal funding
 - Reclass Processing Assistant III to Processing Assistant IV-85% health funding and 15% general fund
- Contractual Services
 - Professional services increased for contracts for nurses and allocation of nursing supervisor from salary and wages
 - Must contract for vacant government positions per state contract addendum

Manager Morris discussed his rationale for recommending reclassifications.

Departmental Budget Highlights - Home Health

- Budget decreased \$60,208 / -7.33%
- Department no longer self sufficient
- Request of \$460,723 from General Fund for FY2013/14
- Health director has previously provided concerns and options to BOCC for Home Health
- BOCC should closely watch the impact of future Home Health operations on the County's General Fund

Board Comments

Commissioner Inman:

- Confirmed the request of \$460,723 from General Fund

The Board discussed the General Fund request of \$460,723.

Vice Chairman Booth:

- Discussed the previous two years when there was a positive \$261,000 for the county revenue
- Uncertainty for this year
- Recent discussion at the last Health Board meeting, Home Health received 12 new patients
- Confirmed with Manager Morris that currently Home Health is \$180,000 in the red
- Discussed the impact at the loss of the physical therapist
- Discussed the impact at the loss of the supervisor
- With a physical therapist on staff now, may be in the black this year
- Would want to have the Health Director explain his recommendation of almost a half of million dollars from General Fund

Commissioner Inman:

- Believe in order to produce a profit, must be fully staffed

- Continuously worry about staff leaving for higher paying positions in the same field
- Must have staff to deliver services to the citizens
- Services are dependent on the employees
- Loss of physical therapist – major disaster
- Can't compete with other counties and private industry wages
- Lot of unanswered questions

Commissioner Walker:

- Active competitor in the County seeking patients
- This is looming for this and future budgets: What we want versus what we can afford for the future
- Can't understand a few months ago, the Health Director predicting a turnaround that could possibly make Home Health in the black by the end of the year if given a chance and now projecting \$460,723 from the General Fund for next year, doesn't make sense

Chairman Lankford:

- Need further information from Health Director

Departmental Budget Highlights - Information Systems

- Budget increased \$59,071 / 20.53%
- Maintenance agreements on 2 and 3 year renewals
- Equipment-\$149,800
 - Servers for network support
 - Finance servers for 4 years
 - Computer
 - Crystal reports software
 - UPS (2)
 - TWC additional bandwidth

Board Comments

Commissioner Walker:

- Confirmed only the servers will be financed
- Would like a detailed list of servers, departments and cost

Departmental Budget Highlights - Jail

- Budget increased \$98,425 / 7.02%
- Personnel Services
 - Part time line item was under budgeted for FY12/13
- Equipment \$21,965
 - Eight security cameras/DVD
 - Two computers
 - Washing machine

Departmental Budget Highlights - Legal

- New flat rate of \$175,000

- Contract with County Attorney will add Department of Social Services (DSS) duties, which is allocated to DSS budgets
- This budget line item will shift during the year based on actual services provided to DSS

Board Comments

Commissioner Walker:

- Interesting fact – this year’s budget total for legal is only \$171,000 – actually paying more with the new recommendation
- Could big items such as legal be put out for bids

Departmental Budget Highlights - Library

- Budget increased \$4,493 / .92%
 - Increase in health insurance estimated at 6%
- Walnut Cove Library
 - Appropriation for the new addition – Have completed the first \$200,000
 - Now funding 2nd appropriation of \$200,000/\$40,000 a year (1 year remaining)
 - Additional \$50,000 if funding is not raised by Library as agreed to in original funding proposal

Board Comments

Commissioner Walker:

- Would like to know if additional funding has been raised by the Library

Departmental Budget Highlights - Medical Examiner

- Budget – no change
- Pays for autopsies and death pronouncements

Departmental Budget Highlights - Mental Health

- Budget decreased \$149,312/ -28.86%
- One time Implementation of waiver funding of \$148,127 was addressed in FY2012/13 Budget
- Repayment of funds for implementation of waiver of \$29,625 and interest of \$1,185 per agreement

Departmental Budget Highlights - Natural Resources

- Budget increased \$2,751 / 1.56%

Departmental Budget Highlights - Parks

- Budget increased \$302/ 2.21%

Departmental Budget Highlights - Planning

- Budget increased \$11,742 / 3.37%

- New annual maintenance agreement for permitting software

Departmental Budget Highlights - Public Buildings

- Budget increased \$53,693 / 5.20%
- Personnel Services
 - Reclass Maintenance Worker/Road Signs/Water & Sewer to Water & Sewer Maint. Worker/Road Signs
 - Appropriated salaries and benefits to Forsyth Tech for four employees
- Utilities cost increased
- Equipment-Floor stripping/waxing machine-propane and picks up water \$3,500
 - Will reduce comp time

Manager Morris discussed his rationale for recommending reclassifications.

The Board discussed the appropriation of salaries and benefits to Forsyth Tech.

Departmental Budget Highlights - Purchasing

- Budget increased \$1,973 / 2.76%

Departmental Budget Highlights - Recreation

- Contract with the YMCA has not changed
 - Contract modifications / termination require six month notification
 - Search still on for better YMCA location in Danbury area
- For future YMCA expansion a capital campaign may be in order

Manager Morris noted:

- Director Derrick Edwards is not especially happy with the current facility
- Looking for other options
- Look at working with YMCA regarding a capital fund project to put something nice on the northern side

Board Comments

Commissioner Jones:

- Did some research recently, northern side of the county does meet the criteria for YMCA

Commissioner Walker:

- Confirmed with Manager Morris that Mr. Edwards is looking for a facility for a satellite campus
- One thing that came out of the Health Services Alliance survey was Economic Development – creation of jobs
- Another thing was the need for things for teenagers to do
- Support getting some type facility on the northern side – definitely support recreation for the entire county

Departmental Budget Highlights - Register of Deeds

- Budget increased \$8,576 / 4.05%
- Four books that remain to be converted from apperture cards-technology funds
- Computer purchased with technology funds \$2,000
- Shelving with technology funds \$1,500

Departmental Budget Highlights - Senior Services

- Budget decreased \$5,737 / -1.20%
- Reduction in personnel services due to new director

Departmental Budget Highlights - Sheriff's Department

- Budget decreased \$44,453/ -1.62%
- Replace carpet in Sheriff's office with tile floor that is funded by State Fines & Forfeiture Funds
- On call pay added for entry/modification of domestic violence / exparte orders required by law for clerical staff
- Contract services for Community Watch Liason
- Eight bullet proof vest carriers to protect and extend the life of the vests; increased departmental supplies
- Equipment
 - Truck-Financed
 - Three computers
 - Equipment for undercover operations

The Board discussed the purchase of a truck to see if it fits with the services provided the Sheriff's Office.

Departmental Budget Highlights - Social Services

- Budget increased \$113,886 / 2.88%
- Personnel Services
 - Reclass Community Employment Case Manager to Income Maintenance Caseworker III (No Cost)
 - Reclass Community Employment Case Manager to Social Worker II (Federal \$765/State \$30/County \$677)
- Contractual Services
 - Utilities cost increased
 - Replacement of conference room chairs (safety issue)
 - Professional services imaging cost
- Equipment
 - Ten computers \$20,000 (Federal/State \$10,764-County \$9,236)
- No changes to Aid to Blind
- Day Care appropriations decreased \$130,143 / -9.24% (No County Funding)
- Decrease \$5,000/ -25% to Medical Assistance (Medicaid)
- Public Assistance increased \$119,427 / 6.44%

- County Funding decreased \$81,467
- Mandated increases and decreases

Manager Morris discussed his rationale for recommending reclassifications

Departmental Budget Highlights - Solid Waste

- No changes to Aid to Blind
- Day Care appropriations decreased \$130,143 / -9.24% (No County Funding)
- Decrease \$5,000/ -25% to Medical Assistance (Medicaid)
- Public Assistance increased \$119,427 / 6.44%
 - County Funding decreased \$81,467
- Mandated increases and decreases

Departmental Budget Highlights - Special Appropriations

- Budget increased \$5,676/ 1.18%
- Stokes Friends of Youth county appropriation decreased, the JCPC appropriation was reduced
- Juvenile Services county appropriation increased, the JCPC appropriation was increased which increased the county match
- Partnership for a Drug Free NC (Step One) county appropriation decreased, the JCPC appropriation was reduced
- SCAN county appropriation decreased, the JCPC appropriation was reduced.
- YVEDDI estimated ROAP transportation funds increased due to reallocation of NCDOT-Workfirst funds to YVEDDI from DSS. County appropriation was decreased \$3,274; did not fund weatherization
- N.C. Forestry Service increased \$2,827; did not fund temporary smoke chaser position
- King Senior Center funded same as Walnut Cove Senior Center
- Recommended no funding Roanoke River Basic \$3,500, and NC Wildlife Resources Commission \$4,000
- Recommended Stokes County Fire & Rescue Association funding of \$16,660, instead of \$33,160. Increase of \$4,260
- Walnut Cove Senior Center recommended \$7,259 county match for General Purpose and Senior Center Operations grants. Reduction of \$452 for Senior Center Operations grant.

Board Comments

Commissioner Walker:

- Confirmed with Manager Morris the JCPC match could be decreased if needed
- Confirmed with Manager Morris that weatherization is requested and denied each year

Departmental Budget Highlights - Superior Court

- Budget decreased \$4,060 / -8.35%
- Jury Commissioner reimbursement funding. Reduction requested per the Clerk of Court of \$210
- Reduction of Juvenile services due to historical cost

Departmental Budget Highlights - Revaluation Fund

- Budget increased \$11,785 / 7.28%
- Training for employees due to certification

Departmental Budget Highlights - Tax Administration

- Budget increased \$138,633/ 21.77%
- Personnel Services
 - Reclass Billing/Collection Asst to Tax/EMS Collection Clerk
 - Reclass Office Assistant II to Tax/EMS Collection Clerk
 - Title change Office Assistant-EMS to Tax/EMS Collection Clerk
- Misc. Contractual Services increase due to new DMV Cost for billing motor vehicles, new upgrade to tax software and EMS billing software maintenance cost.
- Training due to certification
- Equipment \$31,700
 - Four computers
 - UPS Battery Backups
 - Server for tax software-financed

The Board discussed charging a fee to credit card users.

Departmental Budget Highlights - Transfers

- Budget decreased \$1,322,343/ -60.14%
- Transfers
 - Capital Reserve-No transfers
 - SRMH Fund \$200,000 per lease agreement
 - Transfer of debt payoff to Schools/FTCC Construction/Operating Fund for future payments; amount is \$676,298
 - This transfer is from retired G.O. debt
 - This is our standard approach to get rid of all debt sooner

Departmental Budget Highlights - Vehicle Maintenance

- Budget decreased \$10,999 / -7.51%
- Personnel Services decreased due to new supervisor
- Misc. Contractual Services \$1,000 for diagnostic testing machine software maintenance

Departmental Budget Highlights - Veteran Services

- Budget increased \$1,347 / 7.63%

Departmental Budget Highlights - Health Department XIX Fund

- Fund that was setup last year to account for the Health Departments Title XIX funding.
- Budget increased \$112,638/ 7.29%
- Fund Balance appropriation for the new building and furniture were brought forward to fiscal year 2013-14.
- Title XIX balance came out of the General Fund balance which will directly impact the General Fund balance percentage on the FY 2012/13 audit

Board Comments

Vice Chairman Booth noted the transfer took \$1 million from General Fund last year to create the Title XIX Fund.

Departmental Budget Highlights – School/FTCC Construction/Operating Fund – Debt Service Fund

- Transfer to General Fund
 - Debt Service Payment \$930,491
 - FTCC Operating cost \$103,505
 - Poplar Springs Elementary School operating cost \$110,000
- Funds from Ad Valorem taxes collected will go into fund balance. County is maximizing the use of lottery funds for the payment of school debt for fiscal year 2013-14

Departmental Budget Highlights - E911 Fund

- Equipment to be funded FY 2013-14
 - Spillman Paging \$58,134
 - GIS/Mapping Server \$16,250
 - Four Consolettes for backup console service \$26,924
- Evaluating a change to Rockingham County as our new backup center
 - Approved backup plan required to receive funding from E-911 Board for backup

Departmental Budget Highlights - Enterprise Funds

- Regional Sewer Fund
 - Adjusting institutional rate to be equal between the water and sewer
- Danbury Water Fund
 - Adjusting institutional rate to be equal between the water and sewer
- SRMH Fund
 - \$200,000 operating appropriation per contract
 - Appropriate revenues and expenditures for SRMH Inc.

Departmental Budget Highlights - Fire Districts (all)

- King Fire District Fund
 - City of King requested no tax increase.
 - Tax rate remains at 6.5 cents – collection rate 95.50%
- Rural Hall Fire District Fund
 - Town of Rural Hall requested a 4 cent tax increase, which was not recommended.
 - Tax rate remains at 6.5 cents – collection rate 95.50%
- Walnut Cove Fire District Fund
 - Walnut Cove Fire requested a 1.5 cent tax increase, which was recommended. This would make all the fire tax the same.
 - Tax rate increases to 6.5 cents – collection rate 95.50%

- Service District Fund
 - Tax rate remains at 6.5 cents – collection rate 95.50%

Manager Morris discussed his rationale for not recommending a tax increase for Rural and recommending a tax increase for Walnut Cove Volunteer Fire Department.

Board Comments

Commissioner Inman:

- Would like to know how many people are served by Rural Hall Vol. Fire District

Departmental Budget Highlights - Walnut Cove Senior Center

- Budget decreased \$6,786 / -7.93%
- Personnel services decreased due to new director
- County appropriation is only the matching for the Operating and General Purpose grants
- Other funding will come from their fund balance

What IFS?

- **What if** layoffs were used to reduce budget?
 - County mission would be interrupted with reduction of services depending on who is laid off
 - Could increase the need for contracting in some departments to provide services, which would defeat the purpose
- **What if** 401K was not funded?
 - It would produce approximately \$50,000 additional revenue
 - Large number of employees would be impacted
- **What if** longevity was not funded?
 - \$80,341 revenue would be generated this year; This is a “drop in the bucket” to fix deficit
 - Large number of employees would be impacted
- **What if** a COLA is not given?
 - Would provide \$230,000 in additional revenue for FY2013/14

In summary , So What is Important?

- Re-baselining county budget to absorb revenue shortfalls
 - Will budget receive major structural changes during next two years or will taxes and fund balance be used to balance budget?
- How fast should re-baselining occur?
- Aggressively pursuing tenants for Autumn Square office space to pay for debt on building
- Keeping employee compensation at a livable wage
- Maintaining an adequate fund balance to meet financing requirements for new debt
- Maintaining adequate service levels to citizens
- Keeping tax rates and fund balance acceptable

Backup Charts

Personnel Turnover Rates

- Turnover rate for county personnel is approximately 20% annually over past two years
- This is a major concern because of the expense associated with training new personnel and processing personnel in and out on a constant basis
- Number one reason given for departures is compensation level
- 2% COLA was recommended to partially address this issue
- Not many private businesses could stay in business with turnover at this level

The Board discussed the 20% turnover rates.

Solid Waste Study

- The Director of Public Works has received the report on a study he initiated to convert two of the sights to the roll off containers.
- This item was not addressed in this year's budget recommendation because new garbage trucks were not required this year
- I plan to address this issue in next year's budget proposal because we are reaching the point with current trucks that replacements will be required and we will need to decide which way we plan to proceed

On Call Pay/Part Time Pay

- Addition of Sheriff administrative personnel who are on call to do domestic violence / exparte orders required by law
- Postpone any other changes to "on call" pay until next year given the recommendation for a 2% COLA
- Postponed any changes to part time hourly rate increases given recommendation for 2% COLA
 - Part time rates are not consistent with surrounding counties

Chairman Lankford expressed appreciation to Manager Morris for his detailed presentation.

Adjournment

There being no further business to come before the Board, Chairman Lankford entertained a motion to adjourn the Goals/Budget Guidance Work Session.

Commissioner Inman moved to adjourn the meeting. Vice Chairman Booth seconded and the motion carried unanimously.

Darlene M. Bullins
Clerk to the Board

Ernest Lankford
Chairman